

Training 6-3: School Budgets



Welcome to the Wisconsin Department of Public Instruction's training module on the Private School Choice Programs. We will refer to the Private School Choice Programs as "Choice" or "Choice program" throughout this training. The Choice program is governed by Wis. Stat. §§ 119.23 and 118.60, as well as Wis. Admin. Codes ch. PI 35 and 48. Provisions of this training module are subject to statutory and rule changes.

In this section of the Fiscal and Internal Control Practices requirements we will go through school budgets.

School's First Year of Participating in the Program

- Certain new schools are required to submit a budget by August 1 the year preceding participation in the Choice program.
- Schools first participating in the Choice program must provide to the DPI by May 1 one of the following:
 - A surety bond equal to 25% of the school's estimated Choice program payments; OR
 - A budget covering July 1 to June 30 using the DPI Budget and Cash Flow Report and related attachments.

Certain new schools are required to submit a budget by August 1 the year before it participates in the Choice program. This budget must show that the school will have a positive cash flow in every month, that the school does not have an operating deficit, and that the school has sufficient contingency funding.

Beginning with the 2018-19 school year, schools first participating in the Choice program must provide to the DPI by May 1 either a surety bond equal to 25% of the school's estimated Choice program payments or the DPI Budget and Cash Flow Report and related attachments. Note that schools that met the August 1 budget requirement must also either provide a surety bond or a budget by May 1.

The May 1 surety bond and budget requirements are covered in the training that explains the Surety Bond and New School Budget & Cash Flow Report requirement for first time participants in the program.

Annual School Budget

- Schools that participated in one of the Choice programs in the previous year and new schools that choose the surety bond option must complete a budget for the period from July 1 to June 30, no later than June 30 for the upcoming school year.
- These budgets should not be sent to DPI unless specifically requested.
- The auditor will determine if the budget was completed on a timely basis as part of the Fiscal & Internal Control Practices Report.
- The school may use DPI's budget form or their own form.

Schools that participated in one of the Choice programs in the previous year and new schools that choose the surety bond option must complete a budget for the period from July 1 to June 30. The budget must be completed no later than June 30 for the upcoming school year. These school budgets should not be sent to the DPI unless specifically requested. The auditor will determine if the budget was completed on a timely basis as part of the Fiscal & Internal Control Practices Report. The school should be able to provide the auditor with evidence that the budget was prepared by June 30. An example of this evidence would be minutes from a Board meeting approving the school's budget.

Annual School Budget Requirements

If schools use their own budget, it must include the following items:

1. Anticipated enrollments for all pupils enrolled in the school (Sept & Jan)
2. Anticipated enrollments for choice program pupils (Sept & Jan)
3. Total revenues
4. Offsetting Choice program revenues
5. Total cost
6. Eligible education expenses

Generally, except for the August 1 and May 1 new school budget requirements, schools can use the DPI budget form or their own budget form. The DPI budget form is available on the DPI website under “School Submitted Reports” which is under “Information for Schools.”


If the school uses its own budget, the budget must include specific items.

- It must include the anticipated all pupil count and Choice pupil count for the 3rd Friday in September and the 2nd Friday in January. Please see the 3rd Friday and 2nd Friday Count Report training for additional information about these count dates.
- It must include the total revenues and the revenues that are offsetting for the Choice program. The Financial Audit Bulletin available online describes what revenues are offsetting revenues.
- Further, the budget must include total cost and identify the eligible education expenses. The department has an Eligible Education Expense bulletin available online that describes how eligible education expenses must be determined.

Annual School Budget Requirement (cont)

If schools use their own budget, it must include the following items:

7. Identification of the contingent funding sources the school will use should actual enrollments be less than expected.
8. Schedule of anticipated beginning and ending net assets



The budget must also identify what funding sources the school will use if the school's actual enrollment is less than expected. These must be funding sources that are not already being used in the budget. For example, if the school identifies its line of credit will be used as contingency funding but anticipates fully using the line of credit for two months during the year, it would not be a sufficient source of contingency funding.

Finally, the budget must include a schedule of anticipated beginning and ending net assets. Schools are not required to use the accrual basis of accounting during the school year. However, the school is required to prepare the budget using the accrual basis of accounting and include the net asset balances in its budget. On the next slide we will explain what the schedule of anticipated beginning and ending net asset would include.

Example Net Assets Schedule

Line	Item	ASSETS	
		6/30/2XX1	6/30/2XX2
1	Cash	-	-
2	Short-Term Investments	-	-
3	Current Receivables	-	-
4	Prepaid Expenses	-	-
5	Total Current Assets	-	-
6	Capital Assets	-	-
7	Accumulated Depreciation	-	-
8	Capital Leases	-	-
9	Long Term Receivables	-	-
10	Long Term Investments	-	-
11	Other Assets	-	-
12	TOTAL ASSETS	-	-
Line	Item	LIABILITIES	
		6/30/2XX1	6/30/2XX2
13	Payroll and Related Benefits	-	-
14	Tax Withholdings and FICA-Medicare	-	-
15	Vendor and Other Accounts Payable	-	-
16	Deferred Revenue	-	-
17	Accrued Interest Expense	-	-
18	Current Portion of Debt & Capital Lease Payments	-	-
19	Total Current Liabilities	-	-
20	Long Term Portion of Debt & Capital Lease Payments	-	-
21	Other Liabilities	-	-
22	TOTAL LIABILITIES	-	-
23	NET ASSETS	-	-

This is an example of a net asset schedule for the school year budget. As you can see, the net asset schedule needs to include the expected beginning balance for the school's assets and liability accounts. In this case the beginning balances are the June 30, 2XX1 balances. This schedule needs to reflect projected balances as of the end of the school year, which is June 30, 2XX2 in this example. The budget must include the expected accounts receivable and accounts payable balances. It must also include items such as the expected amount of payroll that will be owed but not paid and the expected debt balances.

School Budget Updates

- If the actual third Friday in September enrollment of either the all pupil enrollment or the Choice pupil enrollment varies by the lesser of 20% or 20 pupils from the school's budgeted enrollment the school must revise the original budget by November 1 to reflect:
 - Changes in any of the required budget components as a result of the change in the school's third Friday in September enrollment.
 - Any other required budget changes related to the changes in revenue.
- The auditor will ensure this has been completed as part of the Fiscal & Internal Control Practices Report.

All schools in the Choice program may also be required to update their budget. If the actual third Friday in September enrollment of either the all pupil enrollment or the Choice pupil enrollment varies by the lesser of 20% or 20 pupils from the school's budgeted enrollment, the school must revise the original budget. The school must update the budget for any changes as a result of the changes in the third Friday in September enrollment. The budget must be updated to include any changes to the budget components we discussed earlier such as the enrollment, revenue and offsetting revenue, and total cost and eligible education expenses.

The original budget, for new schools selecting the budget option, is the budget submitted on May 1 after modifications and review with the DPI. This budget is finalized by August 1. For new schools selecting the surety bond option or continuing schools, the original budget is the budget completed by June 30.

The revised budget, if required, must be completed by November 1. The auditor will ensure that this has been completed as part of the Fiscal & Internal Control Practices Report, which is due to the department by December 15 each year.

Questions

Website: <http://dpi.wi.gov/sms/choice-programs>

Email: DPIChoiceAuditReports@dpi.wi.gov

Phone: 1-888-245-2732 ext. 3



If you have any questions about the information discussed in this training, please see the Private School Choice Programs homepage. The left menu bar of the Private School Choice Programs homepage has resources for both schools and auditors.

Choice schools may also contact the Choice auditors at the email on the slide, or call the toll-free number at 1-888-245-2732, extension 3 with questions.